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HPIC/TDS/D-777-67  
4 May 1967

MEMORANDUM FOR: Director, National Photographic Interpretation Center

THROUGH: Chief, Support Staff

SUBJECT: Request for [ ] from FY-1964 and FY-1965 Funds  
for Contract [ ]

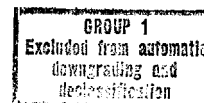
1. In 1964, HPIC contracted with [ ] for the production of 3 Chip Comparators. This contract was amended in 1965 to include 2 additional Chip Comparators. This was a Fixed Price Incentive contract with a ceiling of [ ] as amended. The Contract Ceiling Price includes Fixed Price Proprietary Items in the amount of [ ] a Contract Target Cost of [ ] and a Contract Target Profit of [ ]. The Procurement Division negotiated a contract Ceiling Price to limit any possible increase in costs. If the contractor exceeds the negotiated target cost there is a Government/contractor sharing of the costs on a 80/20 basis until the ceiling of [ ] is reached; the 20% paid by the contractor comes out of his Contract Target Profit.

2. [ ] has submitted a request for an increase in costs in the amount of [ ]. Based on the cost sharing plan, the Government's share of this amount is [ ].

3. The equipment called for under this contract has been fabricated and delivered but was initially rejected due to instability and failure of the interferometers. As a result, [ ] has performed a detailed analysis on the interferometers and has modified one complete system and returned it to HPIC for evaluation. The remaining interferometers have all been returned to the contractor for reworking, subject to the evaluation of the modified system now at HPIC. The additional funds requested are to reinstall and align the equipment, perform the necessary adjustments to set up the equipment, and like activities. There are no costs involved for the basic interferometer modifications or previous actions with respect to the interferometers themselves.

4. In order to maintain continuity in the final stages of this equipment development and to insure delivery and acceptability of the Chip Comparators, the Technical Development Staff recommends that payment of this increase in costs be made.

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Contract No. [ ]

5. The additional funding requested is not due to an overrun of the contract, but rather it is a development cost within the total ceiling cost of the contract. The contractor attempted to stay within the target cost which may have caused some sacrifice to development of certain component parts. Subsequent checking determined that the interferometer system lacked reliability for operational use because of the miscount resulting from the temperature variation in the light source. This represents a typical problem found during the R&D debugging process which is common to all new designs.

6. This request involves utilization of residual FY-1964 and FY-1965 funds and therefore does not concern current year expenditures. The Budget and Financial Branch of NPIC has affirmed the FY-1964 and FY-1965 funds will be available for this overrun payment.

7. In accordance with the cost sharing clause of the contract, it is requested that the increase in costs of [ ] for the Chip Comparators be approved and charged against FY-1964 and FY-1965 funds.

[ ]  
COLONEL, USAF  
Assistant for Technical Development, NPIC

**APPROVED:**

\_\_\_\_\_  
ARTHUR C. LUNDAHL

Director

National Photographic Interpretation Center

\_\_\_\_\_  
Date

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